2000
ANNUAL REPORT
AND ACCOUNTS

TPS

TOURISM PROMOTION SERVICES LIMITED

Contents

Directors and Administration

BOARD OF DIRECTORS:

Timothy C J Ramtu	*(Chairman)*
Mahmud Jan Mohamed	*(Managing Director)*
Abdulmalek J Virani	*(Finance Director)*
Zaherally K Ahamed	*(Resigned on 24 October 2000)*
Iain D Cheyne	*(Appointed on 20 December 2000) **
Janine D Gleeson	*(Resigned on 29 March 2001) **
David M Icharia	*(Alternate to Mrs. Gleeson and resigned on 29 March 2001)*
Shiraz Janmohamed	*(Resigned on 24 October 2000) ******
Graham S Leslie	*(Appointed on 2 August 2000) **
Mahmood P Manji	
Francis Okomo-Okello	
Abdul I Paroo	*(Appointed on 24 October 2000) ******
Brian V Wilson	*(Resigned on 20 December 2000) ****

BOARD AUDIT & FINANCE COMMITTEE:

Zaherally K Ahamed	*(Chairman and resigned on 24 October 2000)*
Janine D Gleeson	*(Resigned on 29 March 2001) **
Michael Hooper	*(Resigned on 20 December 2000) *****
Kabir Hyderally	*(Appointed on 29 March 2001) ***
Mahmood P Manji	
Abdul I Paroo	*(Appointed on 29 March 2001) ******

*British **Pakistani ***Irish **** Zimbabwean ***** Canadian

COMPANY SECRETARY
Madren Nderu

PRINCIPAL OFFICERS

Peter Mbogua	*(Regional Sales and Marketing Director)*
Detlef Winter	*(General Manager – Nairobi Serena)*
Mark W Wamagata Gathuri	*(General Manager – Mombasa Serena)*
Gerald Macharia	*(Manager – Amboseli Serena)*
Herman Mwasaghua	*(Manager – Samburu Serena)*
Cyprian Waweru	*(Manager – Mara Serena)*
June Kyula	*(Manager – Mountain Lodge)*
Joseph Ole Mpaa	*(Manager – Kilaguni Serena)*

REGISTERED OFFICE
4th Floor, Williamson House,
4th Ngong Avenue
P O Box 48690, 00100 Nairobi, Kenya
Telephone : 254 (2) 710511
Fax : 254 (2) 718100/1
E-mail : admin@serena.co.ke
Website : www.serenahotels.com

HOTELS AND LODGES:
Nairobi Serena Hotel
Mombasa Serena Beach Hotel
Amboseli Serena Safari Lodge
Samburu Serena Safari Lodge
Mara Serena Safari Lodge
Mountain Lodge (Managed by Serena)
Kilaguni Serena Safari Lodge

AUDITORS
PricewaterhouseCoopers
Certified Public Accountants
The Rahimtulla Tower
P O Box 43963, 00100 Nairobi, Kenya

PRINCIPAL BANKERS
Barclays Bank of Kenya Limited
P O Box 30120, 00100 Nairobi, Kenya

game drives across the plains and along the
in the Mara tri

Notice of Annual General Meeting

Notice is hereby given that the Thirty-second Annual General Meeting of the Company will be held at the Amphitheatre. Kenyatta International Conference Centre. Nairobi on Thursday. 21st June, 2001 at 10.00 a.m. to transact the following business:

1. To confirm the Minutes of the Thirty-first Annual General Meeting held on 14th June, 2000.

2. To receive, consider and, if thought fit, adopt the Accounts for the year ended 31st December, 2000 together with the Directors' and Auditors' Reports thereon.

3. To approve payment of a final dividend for the year 2000 of Kshs. 1.10 per share subject to withholding tax. where applicable, to the Members on the Register at the close of business on 21st June, 2001.

4. To elect Directors:

   (a) Mr. Francis Okomo-Okello, retires by rotation in accordance with Articles No. 95 and 96 of the Company's Articles of Association and being eligible, offers himself for re-election.
   (b) Mr. Iain D Cheyne, retires in accordance with Article 93 of the Company's Articles of Association and being eligible, offers himself for re-election.
   (c) Mr. Graham S Leslie, retires in accordance with Article 93 of the Company's Articles of Association and being eligible, offers himself for re-election.
   (d) Mr. Abdul I Paroo, retires in accordance with Article 93 of the Company's Articles of Association and being eligible, offers himself for re-election.

5. To approve the Directors' remuneration for the year 2000.

6. To appoint the Company's Auditors, PricewaterhouseCoopers, in accordance with Section 159(2) of the Companies Act (Cap. 486).

7. To note the Auditors' remuneration for the year 2000 and to authorise the Directors to fix the Auditors' remuneration for the year 2001.

8. To transact any other Ordinary Business of an Annual General Meeting.

By Order of the Board

Madren Nderu
Company Secretary

Nairobi
29 March 2001

Note:
A member entitled to attend and vote at the meeting and who is unable to attend is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid, a Form of Proxy which is provided with this report. must be duly completed by the member and must be received at the registered offices of the Company not later than 10.00 a.m. on Tuesday. 19th June. 2001.

a wide variety of watersports and recreational opportunities available at Mombasa Serena

Chairman's Statement

It gives me great pleasure to present to you the Annual Report of Tourism Promotion Services Limited for the year ended 31 December 2000.

The general economic and trading environment in Kenya for year 2000, has been widely acknowledged as depressed and extremely difficult and the Company faced a situation of having to absorb significant cost increases on electricity, water and fuel costs as also an additional 2% value added tax during the year.

In spite of these challenges, the Company achieved a growth of 18% in turnover and 13% increase in profit before taxation over the previous year. The achievements were realised mainly through controlling operating costs and improvement of sales through the identification of new markets, both domestic and international.

During the year, the Company implemented improvements and refurbishments to its properties to ensure that its product continues to meet client expectations; major renovation projects included bedrooms at Mara Serena Safari Lodge, first phase of Kilaguni Serena Safari Lodge improvements and the new AKSUM bar at Nairobi Serena Hotel.

In view of these favourable results, the Board of Directors will recommend for approval at the forthcoming Annual General Meeting the payment of a final dividend for 2000 of Kshs. 1.10 per share subject to withholding tax where applicable. The proposed final dividend reflects an increase over the previous year of 10% and is deemed to be prudent.

During the period under review, the company received several awards in various fields which included:

- **1st Place - Company of the Year Award for Human Resource Management Practices.**
- **2nd place Overall - Company of the Year Award.**
- **Voted amongst the Top 20 Most Respected Companies in East Africa.**
- **American Society of Travel Agents (ASTA) Award for achievements in conservation and preservation of the planet.**
- **Gold award for Excellence in Architecture from the Architectural Association of Kenya.**

The commendable results registered by the Company in year 2000 confirms that the prudent and pragmatic strategy adopted by the Board and Management has resulted in the Company maintaining market leadership in the tourism industry. The Company is committed to continue its contribution to the development of tourism in Kenya, the creation of employment, increased revenues to the Exchequer, conservation of the environment and meeting the expectations of our clients and stakeholders.

To our staff, Management team and fellow colleagues on the Board, I wish to express my gratitude for all the hard work that has seen our Company develop into a favourite product within the travel industry owing to the quality of experience on offer at all our properties.

T C J Ramtu
CHAIRMAN

Maisha health club one of the finest in Kenya

"the Company achieved a growth of 18% in turnover and 13% increase in profit before taxation over the previous year."

Nairobi Serena the flagship of the company

Taarifa ya Mwenyekiti

Ni fursa nzuri kwangu kuwasilisha kwenu Ripoti ya Mwaka 2000 ya kampuni inayoshughulikia ustawi wa utalii, (Tourism Promotion Services Limited).

Hali ya uchumi na biashara hapa Kenya katika mwaka wa 2000 imetambuliwa kotekote kwamba ilididimia sana na ilikuwa ngumu na kampuni hii ilikabiliwa na ongezeko la gharama ya umeme, maji na mafuta, mbali na kukidhi nyongeza ya asilimia 2 ya ushuru katika mwaka huo huo.

Ingawa hali ilikuwa ngumu, kampuni ilistawi kwa asilimia 18 ikilinganishwa na mwaka jana, huku faida ikiongezeka kwa asilimia 13 kabla ya kodi kupunguzwa. Matokeo hayo mazuri yalitokana hasa na usimamizi mzuri wa fedha za shughuli za kampuni na kuimarika kwa mauzo kupitia ufumbuzi wa masoko mapya, humu nchini na kimataifa.

Mwaka huu, kampuni ilianza kuboresha na kurekebisha rasilmali zake ili kuhakikisha kwamba bidhaa zetu zinaendelea kumudu mahitaji ya wateja. Miradi kadha iliyofanyiwa ukarabati ni pamoja na vyumba vya kulala katika Mara Serena Safari Lodge, awamu ya kwanza ya kutekeleza ukarabati wa Kilaguni Serena Safari Lodge na baa mpya ya AKSUM iliyo katika Hoteli ya Serena ya Nairobi

Kutokana na matokeo haya ya kufana, bodi ya wakurugenzi itapendekeza katika Mkutano Mkuu wa Mwaka, ili iidhinishe, malipo ya faida ya mwisho wa 2000 ambayo ni Sh1.10 kwa kila hisa ya Sh5.00, na kupunguza ushuru ikihitajika. Pendekezo la mgao wa faida wa mwisho linaonyesha ongezeko la asilimia 10, ikilinganishwa na mwaka uliopita na imeonekana kuwa ni nzuri.

Katika mwaka huo huo, kampuni yetu ilipata tuzo nyingi katika nyanja mbalimbali, ambazo ni pamoja na:

- **Tuzo ya Kampuni ya Kwanza katika shughuli za usimamizi wa wafanya kazi,**
- **Tuzo ya Kampuni ya Pili bora zaidi,**
- **Iliorodheshwa miongoni mwa kampuni 20 zenye sifa kubwa kubwa kote Afrika Mashariki**
- **Tuzo ya American Society of Travel Agents kutokana na ufanisi wake katika kuhifadhi na kudumisha sayari yetu,**
- **Tuzo ya Dhahabu katika ubora wa ujenzi, kutoka kwa Chama cha Ujenzi cha Kenya.**

Matokeo haya bora yaliyopatikana katika kampuni hii mwaka 2000 yanathibitisha kwamba mbinu nzuri na za utekelezi zilizochukuliwa na Bodi na Wasimamizi zimepelekea kampuni hii kuendeleza uongozi wake katika Sekta ya Utalii.

Kampuni imejitolea kuendelea kutoa mchango wake katika ustawi wa utalii hapa Kenya, kubuni nafasi za kazi, kuongeza mapato ya hazina ya Serikali, kuhifadhi mazingira na kutimiza matarajio ya wateja wetu na wahusika wote.

Kwa wafanya kazi wetu, wasimamizi na wenzangu katika bodi ya wakurugenzi, ningependa kutoa shukurani zangu kwa kazi nzuri ambayo imefanya kampuni yetu kushamiri hadi kuwa taasisi ya kuvutia katika sekta ya utalii kutokana na kiwango cha juu cha ujuzi kinachoonekana katika bidhaa zetu zote.

T C J Ramtu
MWENYEKITI

architectural design that is based on the history, culture of the area and lifestyle of the people.

"Serena offers the most Magical Locations in Kenya"

The quality of staff: recruitment and training policies ensure consistency in product offer.

Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31 December 2000 which disclose the state of affairs of the company.

INCORPORATION AND REGISTERED OFFICE

The company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The addre of its registered office is:

George Williamson House
4th Ngong Avenue
PO Box 48690
00100
NAIROBI
KENYA

PRINCIPAL ACTIVITIES

The company is an owner and operator of hotel and lodge facilities in Kenya, serving the business a tourist markets.

RESULTS AND DIVIDEND

Out of the net profit for the year of Shs 83,052,000 (1999: Shs 79,336,000) the directors recommend t approval of a 22% (1999: 20%) dividend amounting to Shs 42,546,900 (1999: Shs 38,679,000).

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a variety of financial risks, including credit risk, foreign curren exchange rates and interest rates. The company's overall risk management programme focuses on t unpredictability of financial markets and seeks to minimize potential adverse effects on its financ performance within the options available in Kenya to hedge against such risks.

The company has policies in place to ensure that sales are made to customers with an appropriate cre history.

imaginative and varied food concepts

DIRECTORS

The directors who held office during the year and to the date of this report were:

TCJ Ramtu	(Chairman)
M Jan Mohamed	(Managing)
AJ Virani	(Finance)
FO Okello	
MP Manji	
JD Gleeson	(Resigned 29 March 2001)
DM Icharia	(Alternate to JD Gleeson and resigned 29 March 2001)
G Leslie	
A Paroo	
I Cheyne	

each property has its own identity "we are a collection not a chain."

SECRETARY

M Nderu

Mr. S Janmohamed was appointed a director on 28 March 2000 and resigned on 24 October 2000. Mr Paroo was appointed as an alternate director to Mr. S Janmohamed on 28 March 2000 and as a director 24 October 2000.

Messrs. ZK Ahamed and B Wilson resigned as directors on 24 October 2000 and 20 December 20 respectively.

In accordance with Article 93 of the Company's Articles of Association, Messrs. G Leslie, A Paroo an Cheyne retire at the annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Articles 95 and 96 of the Company's Articles of Association, Mr Francis Okon Okello retires by rotation and, being eligible, offers himself for re-election.

AUDITORS

The company's auditors, PricewaterhouseCoopers, continue in office in accordance with Section 159 of the Companies Act.

By Order of the Board
Madren Nderu
Secretary
Nairobi

29 March 20

Report of the Auditors

To the members of Tourism Promotion Services Limited

We have audited the financial statements set out on pages 10 to 25. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. The financial statements are in agreement with the books of account.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements, which give a true and fair view of the company's state of affairs and its profit or loss. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that :he financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the 'inancial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

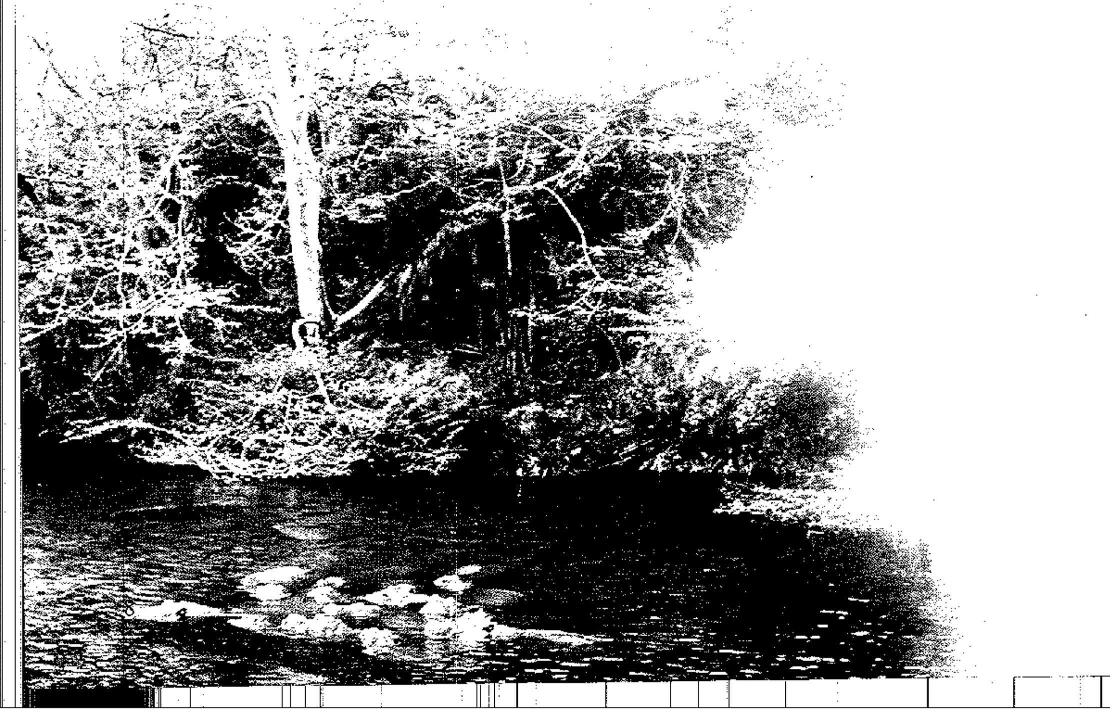
Opinion

n our opinion, proper books of account have been kept and the financial statements give true and fair view of the state of company's financial affairs at 31 December 2000 and of s profit and cash flows for the year then ended and comply with International Accounting itandards and the Kenyan Companies Act.

RICEWATERHOUSECOOPERS

ertified Public Accountants
9 March 2001
airobi

Reflection of



erena Hotels

Profit and Loss Account

for the year ended 31 December 2000

	Notes	2000 Shs'000	1999 Shs'000
Sales		1,404,798	1,187,792
Cost of sales		(309,700)	(255,085)
Gross profit		1,095,098	932,707
Other operating income		100,179	73,897
Staff costs		(269,328)	(225,607)
Administration expenses		(358,230)	(316,951)
Other operating expenses		(419,167)	(333,742)
Operating profit	1	148,552	130,304
Finance costs	3	(30,840)	(25,980)
Share of results of associate	4	(599)	(511)
Profit before tax		117,113	103,813
Tax	5	(34,061)	(24,477)
Net profit		83,052	79,336
Dividends:			
Final proposed dividend for the year	6	(42,547)	(38,679)
Earnings per share (Shs)	7	2.15	2.05

Balance Sheet
as at 31 December 2000

	Notes	2000 Shs'000	1999 Shs'000
CAPITAL EMPLOYED			
Share capital	8	193,395	193,395
Revaluation reserve	9	468,086	477,317
Retained earnings		243,591	193,855
Proposed dividends	6	42,547	38,679
Shareholders' funds		947,619	903,246
Non-current liabilities			
Borrowings	10	114,114	99,791
Deferred tax	11	174,149	164,545
Provisions for liabilities and charges	12	52,612	35,716
		340,875	300,052
		1,288,494	1,203,298
REPRESENTED BY			
Non-current assets			
Property, plant and equipment	13	1,324,170	1,169,480
Intangible assets	14	8,406	8,982
Investment in associate	4	4,280	4,869
		1,336,856	1,183,331
Current assets			
Inventories	15	88,353	84,665
Trade and other receivables	16	435,848	260,052
Cash and cash equivalents	17	24,894	38,258
		549,095	382,975
Current liabilities			
Trade and other payables	18	249,841	183,552
Current tax		1,020	17,388
Borrowings	10	346,596	162,068
		597,457	363,008
Net current (liabilities)/ assets		(48,362)	19,967
		1,288,494	1,203,298

The financial statements on pages 10 to 25 were approved by the Board of directors on 29 March 2001 for issue and signed on its behalf by:

Director T C J Ramtu **Director** M Jan Mohamed

Statement of Changes in Equity

for the year ended 31 December 2000

	Note	Share capital Shs'000	Revaluation reserves Shs'000	Retained earnings Shs'000	Proposed dividends Shs'000	Total Shs'000
Year ended 31 December 1999						
At start of year						
- as previously stated		193,395	175,220	143,967	-	512,582
- effect of adopting IAS 10	6	-	-	-	38,679	38,679
- as restated		193,395	175,220	143,967	38,679	551,261
Revaluation surplus		-	432,780	-	-	432,780
Deferred tax on revaluation		-	(121,452)	-	-	(121,452)
Transfer of excess depreciation		-	(13,170)	13,170	-	-
Deferred tax on transfer	11	-	3,939	(3,939)	-	-
Net gains/(losses) not recognised in the profit and loss account		-	302,097	9,231	-	311,328
Net profit for the year		-	-	79,336	-	79,336
Dividends:						
- Final for 1998 paid		-	-	-	(38,679)	(38,679)
- Proposed for 1999	6	-	-	(38,679)	38,679	-
At end of year		193,395	477,317	193,855	38,679	903,246
Year ended 31 December 2000						
At start of year						
- as previously stated		193,395	477,317	193,855	-	864,567
- effect of adopting IAS 10		-	-	-	38,679	38,679
- as restated		193,395	477,317	193,855	38,679	903,246
Transfer of excess depreciation		-	(13,170)	13,170	-	-
Deferred tax on transfer	11	-	3,939	(3,939)	-	-
Net gains/(losses) not recognised in the profit and loss account		-	(9,231)	9,231	-	-
Net profit for the year		-	-	83,052	-	83,052
Dividends:						
- Final for 1999 paid	6	-	-	-	(38,679)	(38,679)
- Proposed for 2000	6	-	-	(42,547)	42,547	-
At end of year		193,395	468,086	243,591	42,547	947,619

Cash Flow Statement

for the year ended 31 December 2000

	Note	2000 Shs'000	1999 Shs'000
Operating activities			
Cash generated from operations	21	172,422	211,770
Interest received		22,962	9,449
Interest paid		(39,399)	(25,695)
Tax paid		(40,835)	(7,971)
Net cash from operating activities		115,150	187,553
Investing activities			
Purchase of property, plant and equipment	13	(279,595)	(218,050)
Goodwill on acquisitions		-	(5,000)
Proceeds from disposals of property, plant and Equipment		408	20,973
Net cash used by investing activities		(279,187)	(202,077)
Financing activities			
Proceeds from issue of commercial paper		32,980	60,000
Proceeds from bank borrowings		560,450	358,892
Payments of bank borrowings		(435,694)	(287,174)
Dividends paid		(38,679)	(38,679)
Net cash generated by financing activities		119,057	93,039
(Decrease)/increase in cash and cash equivalents		**(44,980)**	**78,515**
Movement in cash and cash equivalents			
At start of year	17	19,751	(58,764)
(Decrease)/increase in cash and cash equivalents		(44,980)	78,515
At end of year	17	(25,229)	19,751

Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Accounting Standards. The financial statements are presented in Kenya Shillings (Shs) and are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment.

b) Revenue recognition

Sales are recognised upon performance of services, and are stated net of VAT and discounts. Interest income is recognised as it accrues, unless collectibility is in doubt.

c) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

d) Investment in associate

The investment in the associated undertaking, Mountain Lodges Limited, is accounted for under the equity method of accounting. The company holds 20% of the ordinary shares of Mountain Lodges Limited and though it does not have control, it exercises significant influence.

Equity accounting involves recognising in the profit and loss account, the company's share of the associate's profit or loss. The company's interest in the associate is carried in the balance sheet at an amount that reflects its share of the net assets of the associate.

e) Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on triennial valuations by external independent valuers, less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation is calculated on the straight line basis to write down the cost of each asset, or the revalued amounts, to their residual values over their expected useful life as follows:

Land and buildings	Over the period of the lease
Computers	3 years
Motor vehicles	4 years
Furniture and fittings	8 years
Lift installations	10 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

f) Intangible assets

On acquisition, the excess of the purchase price over the fair value of the net identifiable assets acquired is recorded as goodwill in the balance sheet. Goodwill is amortised to the profit and loss account on the straight-line basis over its estimated useful life which is generally over 15 years. The carrying amount of goodwill is reviewed when circumstances or events indicate that there may be uncertainty, over the carrying amount and written down for impairment, if required.

g) Accounting for leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out (FIFO) method. Net realisable value is the estimate of the selling price in the ordinary course of businesses, less selling expenses.

i) Trade receivables

Trade receivables are carried at original invoiced amounts less an estimate made for doubtful receivables. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

j) Employee entitlements

Employee entitlements to gratuity are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

The estimated monetary liability for employee's accrued annual leave at the balance sheet date is recognised as an expense accrual.

k) Deferred tax

Deferred tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantially enacted at year-end are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the tax benefit can be utilised.

l) Retirement benefit obligations

The company operates a defined contribution pension scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded by contributions from both the company and employees.

The company's contributions to the scheme are charged to the profit and loss account in the year to which they relate.

m) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

n) Dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

o) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the revised IAS 10, Events after the balance sheet date.

Notes forming part of the Financial Statements

1. Operating profit

The following items have been charged in arriving at operating profit:

	2000 Shs'000	1999 Shs'000
Depreciation on property, plant and equipment (Note 13)	124,821	118,501
Operating lease rentals	44,959	28,402
Staff costs (Note 2)	269,328	225,607
Auditors' remuneration	1,665	1,526
Directors' remuneration:		
- fees	420	420
- as management	15,264	12,776

2 Staff costs

The following items are included within staff costs:		
Retirement benefit costs-defined contribution scheme	8,238	11,179
	Number	**Number**
The number of persons employed by the company at the year end was:	1,157	1,094

3 Finance income/ (costs)

Interest income:		
- bank deposits	20,672	7,491
- staff loans	2,290	1,958
	22,962	9,449
Foreign exchange losses	(14,403)	(9,734)
Interest payable and similar charges		
- bank loans	(30,428)	(14,679)
- bank overdraft	(5,749)	(5,815)
- commercial paper	(3,222)	(5,201)
Net finance costs	(30,840)	(25,980)

4 Investment in associate

	2000 Shs'000	1999 Shs'000
Opening net book amount	4,869	5,327
Share of loss before tax	(599)	(511)
Share of tax	10	53
Net share of loss for the year	(589)	(458)
Closing net book amount	4,280	4,869

The associate, Mountain Lodges Limited, whose principal business is to cater for tourists, is an unlisted company incorporated in Kenya. There were no changes in the 20% interest held in the associate during the year.

5 Tax

	2000 Shs'000	1999 Shs'000
Current tax	24,467	30,399
Deferred tax (Note 11)	9,604	(5,869)
Share of tax of associate (Note 4)	(10)	(53)
	34,061	24,477

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2000 Shs'000	1999 Shs'000
Profit before tax	117,712	104,324
Tax calculated at a tax rate of 30% (1999: 32.5 %)	35,314	33,905
Tax effect of:		
Income not subject to tax	(3,868)	(8,025)
Expenses not deductible for tax purposes	2,237	12,362
Change in tax rate	-	(13,712)
Under-provision of deferred tax in prior year	388	-
Share of tax of associate (Note 4)	(10)	(53)
Tax charge	34,061	24,477

Notes forming part of the Financial Statements (continued)

6 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the annual general meeting. A dividend in respect of the year ended 31 December 2000 of Shs 1.10 per share (1999: Shs 1.00) amounting to Shs 42,546,900 (1999: Shs 38,679,000) is to be proposed at the forthcoming annual general meeting.

Payment of dividends is subject to withholding tax at the rate of 5% for Kenyan residents and 10% for non-residents.

7 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2000	1999
Net profit attributable to shareholders (Shs'000)	83,052	79,336
Weighted average number of ordinary shares in issue (thousands)	38,679	38,679
Basic earnings per share (Shs)	2.15	2.05

There were no outstanding potentially dilutive shares (1999: Nil).

8 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Authorised, issued and fully paid at par value of Shs 5.00 per share		
At start and end of year	38,679	193,395

9 Revaluation reserves

Revaluation reserves relate to surpluses arising from the revaluation of land and buildings less attributable deferred tax. The revaluation reserves are non-distributable. The movement in these reserves is shown in the statement of changes in equity.

10 Borrowings

The borrowings are made up as follows:

	2000 Shs'000	1999 Shs'000
Non-current		
Bank loans	114,114	99,791
Current		
Bank overdraft	50,123	18,507
Bank loans	203,493	83,561
Commercial paper	92,980	60,000
	346,596	162,068
Total borrowings	**460,710**	**261,859**

Bank loans and overdrafts are secured by a floating debenture over stocks, debtors and certain land and buildings, including immovable property.

The weighted average effective interest rates at the year-end were as follows:	2000	1999
-bank overdrafts : US Dollars	8.5%	7.0%
: Kenya Shillings	12.61%	-
-bank borrowings	13.5%	7.5%
-commercial paper	12.09%	17.3%

Non-current borrowings mature within a 1 to 2 years period.

11 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30%. The movement on the deferred tax account is as follows:

	2000 Shs'000	1999 Shs'000
At start of year	164,545	48,962
Income statement charge/(credit) (Note 5)	9,604	(5,869)
Tax effect of revaluations (Note 9)	-	121,452
At end of year	174,149	164,545

Notes forming part of the Financial Statements (continued)

20 Commitments

Capital commitments

There are no capital expenditures that have been contracted for at the balance sheet date but not recognised in the financial statements.

21 Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2000 Shs'000	1999 Shs'000
Profit before tax	117,113	103,813
Adjustments for:		
Depreciation (Note 13)	124,821	118,501
Profit on sale of property, plant and equipment	(324)	(14,970)
Amortisation of goodwill (Note 14)	576	901
Interest income	(22,962)	(9,449)
Interest expense	39,399	25,695
Unrealised foreign exchange losses	9,499	8,039
Share of results of associate (Note 4)	599	511
Changes in working capital		
- trade and other receivables	(175,796)	(45,484)
-inventories	(3,688)	(11,577)
-trade and other payables	66,289	27,332
- provisions for liabilities and charges	16,896	8,458
Cash generated from operations	172,422	211,770

22 Related party transactions

The company is controlled by TPS Holdings Limited, incorporated in Kenya. There are other companies that are related to Tourism Promotion Services Limited through common shareholding and common directorships.

The following transactions were carried out with related parties:

i) Sale of goods and services

The company transfers goods to Mountain Lodges Limited, an associated company, at cost.

22 Related party transactions (continued)

ii) Purchase of goods and services	2000 Shs'000	1999 Shs'000
Related parties	185,035	163,641

iii) Outstanding balances with related parties

Receivables from related parties:-

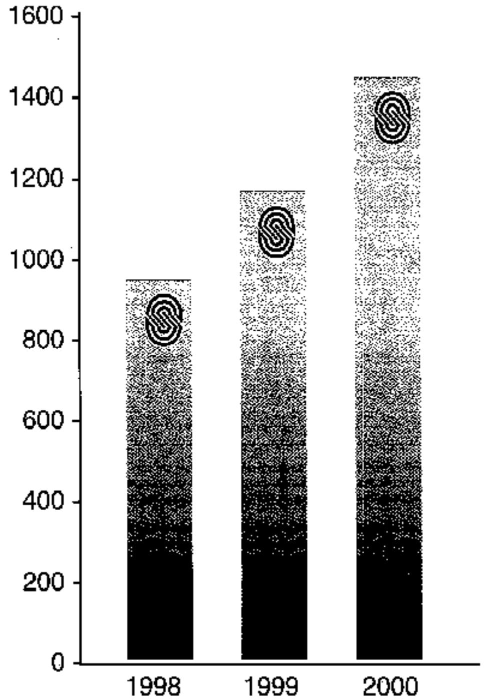
	2000 Shs'000	1999 Shs'000
Sales of goods and services	30,933	13,970
Advances to related parties	105,927	44,403
	136,860	58,373
Payables to related parties	(11,869)	(8,834)

Advances to related parties include car loans to directors of the company amounting to Shs. 4,907,000 (1999: Shs.1,273,375). Interest is charged at 15% per annum

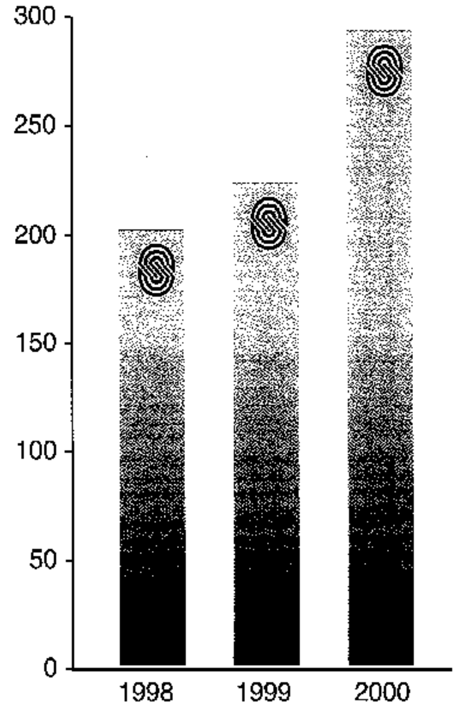
Advances to other related parties are repayable on demand and attract interest at a rate of 1% above the company's costs of borrowing.

Financial Highlights

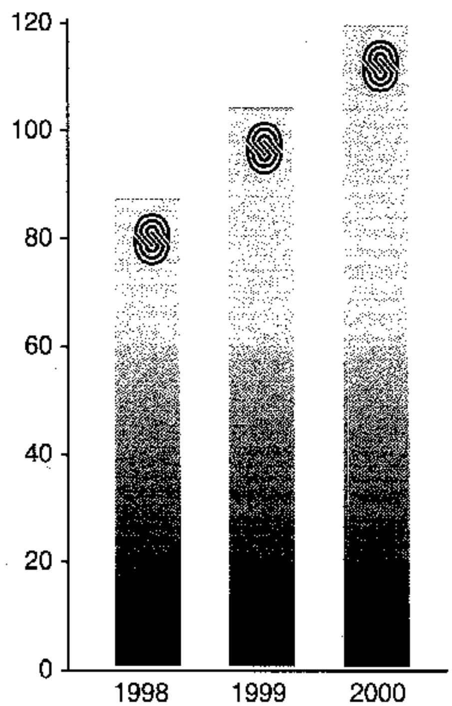
Turnover
(in KShs. millions)



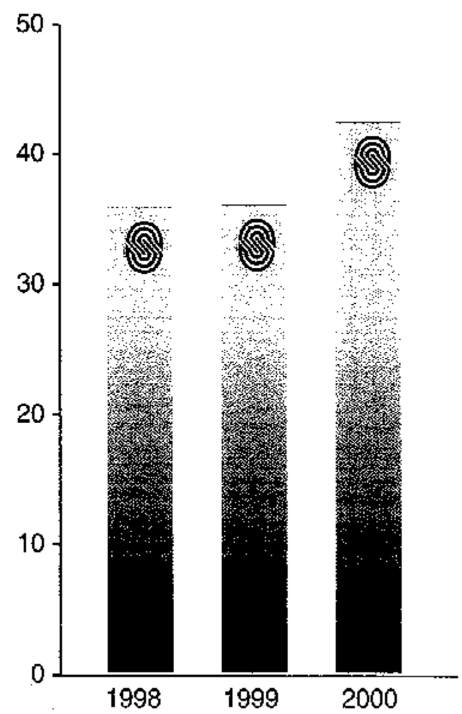
Profit before Interest & Depreciation
(in KShs. millions)



Profit before Taxation
(in KShs. millions)



Proposed Final Dividend
(in KShs. millions)



TPS

TOURISM
PROMOTION
SERVICES
LIMITED

FORM OF PROXY

(COMPLETE IN BLOCK LETTERS PLEASE)

I/We ....

of ....

being a member/members of Tourism Promotion Services Limited, hereby appoint

....

of ....

and failing him, ...

of ....

and failing him, the Chairman of the meeting, as my/our proxy to vote for me/us and on my/ our behalf at the Annual General Meeting of the Company to be held on Thursday, 21st June, 2001 at 10.00 a.m. and at any adjournment thereof.

As witnessed my/our hand this .... day of ....2001.

SIGNATURE : ....

SHARE ACCOUNT NUMBER : .... NUMBER OF SHARES HELD : ....

NOTES:

1. To be valid, this Form of Proxy MUST be returned to the Company Secretary, Tourism Promotion Services Limited, 4th Floor, Williamson House, 4th Ngong Avenue, P O Box 48690, 00100 Nairobi, Kenya so as to be received not later than 10.00 a.m. on Tuesday, 19th June, 2001.
2. A person appointed to act as a proxy need not be a member of the Company.
3. In the case of a member being a limited company/corporation, this Form of Proxy must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated.

FOLD 1

Please
affix
Stamp
here

TOURISM
PROMOTION
SERVICES
LIMITED

The Company Secretary
Tourism Promotion Services Limited
4th Floor, Williamson House
4th Ngong Avenue
P O Box 48690
00100
Nairobi
Kenya

FOLD 2